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The Short-Term Outlook in Communist China

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THE SHORT-TERM OUTLOOK IN COMMUNIST CHINA

THE PROBLEM

To estimate the main trends and outlook in China over the next year or so.

CONCLUSIONS

A. The situation inside Communist China is still highly fluid and the outlook uncertain. Disorder, confusion, and unrest continue but have been reduced since the high water mark last summer. Nevertheless, the ranks of those alienated by the Great Proletarian Cultural Revolution have grown; the costs in political control, social discipline, and economic progress have far outweighed the gains. Though Mao was successful in breaking high-level opposition in the old party apparatus, in its broader aspects his Cultural Revolution has been a failure and we believe it will be gradually phased out.

B. Mao still appears to be the central figure and source of basic policy. Mao and the regime are officially committed to the reconstruction of a new framework for administrative and political control. On balance, we believe that the trend will be toward regaining some stability, in part because of the increased influence of the moderate elements in Peking. But there still will be sharp twists and turns, occasional crises, and disorder and turmoil at various levels which will reflect strong differences among factions and leaders over policies and tactics.

C. The military will remain Peking's most reliable instrument over the coming year. As the only cohesive force with a nationwide system of command and control, the military will have to serve a variety of administrative and control functions. The scope of the rebuilding effort—political, economic, and social—may require the heavy support

of the People's Liberation Army (PLA) for some years to come. Military dominance in political life may become institutionalized, particularly if political reconstruction bogs down in violence and disarray requiring the repressive force of the PLA. The corollary to this increased political role is the diversion of the PLA from normal military routine and a consequent reduction in its military readiness.

D. The damage to the economy as a direct result of the Cultural Revolution includes depressed industrial production, a delay in modernization and economic growth, aggravated labor problems, setbacks in the training of technical specialists, and a general hiatus in the formulation of new economic policies and plans. The cumulative damage to the economy of prolonged political turmoil will not be easily or quickly repaired. Whatever the political course for 1968, agricultural output is not likely to repeat last year's very good harvests, which benefited from exceptionally good weather. At best, China can hope only to restore stability and balance to the economy in 1968, foregoing any prospect of expansion. Indeed, there is a possibility that a reduction in food output, combined with problems of collection and distribution, could cause a serious food shortage by 1969, which in turn could have serious political repercussions.

E. "Red Guard diplomacy" cost Peking last year in relations with Communist as well as non-Communist regimes. Since last summer, however, the regime has taken steps to reduce the violent and provocative influence of internal affairs on foreign relations. In the main, the Cultural Revolution has not altered the general line of Chinese policy abroad; it still remains revolutionary in tone but cautious and prudent in deeds. Preoccupation with internal affairs is likely to relegate foreign concerns to a secondary role.

F. A major uncertainty in any estimate of China's future is the problem of Mao's passing. The events of the past two years have made it more likely that Mao's departure will usher in a stormy and possibly protracted period in which policy differences and power aspirations will continue to fuel a leadership struggle. Mao's legacy is likely to be an enfeebled party, a confused bureaucracy, and a divided and harried leadership. In our view the ultimate result will be to accelerate the rejection of Mao's doctrines and policies.

DISCUSSION

I. BACKGROUND

1. The Great Proletarian Cultural Revolution is entering its third year. It has already had a profound effect on every aspect of life in China, on the country's internal and external policies, and on its probable future. The course of the revolution has been highly erratic. Moreover, the reasons behind the various twists and turns have often been obscure and confusing.[1]

2. Despite fluctuations in policy and revolutionary activity, the general trend through last summer seemed to be one of increasing violence and turmoil as the traditional forces for maintaining order were weakened. By August a climax of sorts was reached. Fighting among various revolutionary groups reached a peak. Civil disorder reached dangerous proportions. The People's Liberation Army (PLA) came under sharp political attack, and political maneuvering suggested a crisis within the top leadership over the future of the Cultural Revolution.

3. Suddenly, in early September, Peking shifted the line, demanding once again that moderate directives actually be implemented. The attack on the PLA was repudiated. The army was finally empowered to use limited force to retrieve weapons seized during the summer. Revolutionary excesses were condemned. Some of the political leaders were purged on charges of ultraleftism. Stabilization became the official program: Peking revived its call for alliances of Red Guards, PLA leaders, and trusted party cadres as the prerequisite for constructing the new "revolutionary committees," which would assume administrative responsibilities in the provinces. It reaffirmed its policies that party cadres were to be rehabilitated; factional struggle was to be halted; students were to resume classes; nationwide coordination by revolutionary groups was to be restricted. By the end of the year Peking was claiming "decisive" victory for the Cultural Revolution. There were indications that a party congress would be convened to legitimatize the changes. In short, it appeared that the "destructive" phase had ended and a "constructive" phase had begun.

4. But the reality has been far different. The "alliances" have frequently aggravated wounds rather than healed them. The revolutionary youth resent their eclipse and, as they remain in official favor, are still a volatile force in an unstable situation. Violence has not ended; severe fighting continues to erupt in scattered cities. The army remains the only effective control instrument in most of the country. The new revolutionary committees have been formed with the greatest difficulty. The new order is being built on a series of unstable compromises.

[1] The discussion of the origins of the Cultural Revolution contained in NIE 13-7-67, "The Chinese Cultural Revolution," dated 25 May 1967, SECRET, paragraphs 3-7, appear to be still valid.

II. FACTORS IN THE CURRENT SITUATION

A. Mao and His Adherents

5. Any estimate of China's future course must begin with the position and attitudes of Mao Tse-tung. Despite uncertainties over his health and mental capacities, he still appears to be the central figure and the source of basic policy. The Cultural Revolution has reflected Mao's concern over party bureaucratism and growing problems within the society. He has also been concerned to reassert his authority in the party and to reinstill revolutionary fervor in the country at large.

6. Mao apparently felt that the party could not be remolded, but had to be terrorized and demolished before a new order could be constructed. The record thus far suggests that Mao remains firmly dedicated to the notion that the Chinese revolution can only be kept alive by involving the "masses" in direct participation in "revolutionary action." From Mao's standpoint, moreover, the past two years have brought some notable gains. He and his coterie have broken the top level resistance that confronted him in the early 1960's. And he has brought the younger generation into direct participation in political life and revolution. But these gains have yet to be consolidated in the creation of a new revolutionary order, which is now the paramount task.

7. Thus far, Mao has displayed considerable tactical flexibility in pushing the Cultural Revolution, but his room for maneuver has been gradually narrowed for several reasons. Neither the social order nor the economy can long tolerate a political vacuum and chaotic direction, and their requirements impose a time limit on the Cultural Revolution. Moreover, Mao has not had the whole hearted support of all of his colleagues. While few have dared to confront him directly, attempts must have been made to deflect him from his more radical plans. Others probably have tried to limit the power and influence of those leaders who have risen rapidly to the top as a result of the Cultural Revolution. Mao's own plans have probably not been firmly fixed, since a major concept of the revolution has been to stimulate the "masses." Thus, at various points, new and unforeseen situations have developed which have dictated retreats as well as advances. As each radical phase has brought more damage, the ranks of those alienated by Mao's tactics and policies have grown.

8. As long as Mao is in power, a group associated with his more radical policies is likely to retain a strong position within the top leadership. Such elements will almost certainly continue to encourage Mao to push his more revolutionary ideas. They will also work against the more moderate elements and policies that seem to threaten their positions, and they may also turn against each other as has happened in the past. Such competition is likely to be undertaken particularly with a view toward the succession to Mao.

9. The position of Lin Piao is one of the great mysteries of the Cultural Revolution. He issues instructions in the name of Mao, and on the record, he is Mao's "best pupil" and selected heir. A cult of sorts has developed around Lin, and

he seems to behave in the Mao tradition of rare public appearances and pronouncements. Apparently, he stands above the fray of daily struggle. In such circumstances it is difficult to determine with any certainty his actual role or the extent of his political influence.

B. The Nature of the Opposition

10. Opposition to Mao and the Cultural Revolution is ill-defined and lacking in cohesion or central direction. Despite charges of plots against him, there has been no straightforward effort to depose Mao that we are aware of. The leadership has responded to Mao's purges, not by overt opposition, but rather by maneuvering for survival. This has involved evasion, passive resistance, blunting of directives, and assiduous protection of vested interests. This defensive reaction has been most risky in the upper echelons where purges have been severe. But at the level of provincial officials and below, despite numerous purges, this form of opposition has been relatively effective, in large part due to the chaos that has grown as the Cultural Revolution has more and more disrupted the social order.

11. One of the principal results of the resistance to the Cultural Revolution has been the development of two wings in the top leadership. On the one hand there are those vested interest groups and leaders whose primary concern is with maintaining order, stability, and national security, and on the other those charged with the conduct of the revolution. Among the more moderate forces are the PLA, the government bureaucracy, and most of the "old guard" of the party. Probably they do not constitute a permanent faction, but rather a loose coalition in competition with the Cultural Revolution Group under Chen Po-ta, Kang Sheng, and Madame Mao.

12. As number three in the Peking hierarchy, Chou En-lai has played a major role in the Cultural Revolution. He continues to maneuver adroitly through complicated political conflicts, remaining in the fray but somehow above it, serving Mao but at the same time moderating the more extreme consequences of Maoist policies. As premier of the State Council, Chou has for many years had responsibility for administering China's economic, military, and governmental bureaucracy. He has thus been the spokesman for what we have come to view as the more moderate interests in China. As such, we see him as the symbolic if not actual leader of this group.

13. There is considerable evidence that there are important differences in the leadership over policy, objectives and tactics though there are probably also areas of common concern. These differences reflect the division of competing interest groups as well as political infighting for personal gain. Furthermore, conflicts are unavoidable in the bizarre situation of a regime in power trying to conduct a revolution without at the same time destroying the country and itself. These conflicts have been responsible for the twists and turns in policy and for the air of uncertainty prevailing at various times in Peking. Since September 1967, the forces working for moderation appear to have made im-

portant gains in power and in their influence over the course of the revolution. Recently, however, the campaign against right deviation has shown that the Cultural Revolution Group is by no means out of action.

14. In sum, we believe the leadership is divided on policy matters and is strained by the existence of factions with competing aspirations for power. It will retain a superficial unity as long as Mao presides over it, but the divisions will be an element of potentially great instability in the short term and especially during the post-Mao period.

C. The Instruments of Power

15. The institutional structure of China has been heavily damaged. The effective control formerly exercised by the regime through the party has been seriously weakened. No longer is it clear that Peking speaks with one voice; no longer are its institutions immutable and unassailable. Authority and discipline have suffered accordingly. By endorsing the slogan "to rebel is justified," Mao has gone far to undermine the mechanisms of control.

16. *The Party Apparatus.* The Communist Party of China has not been repudiated, and the Maoists claim it will be reconstructed and purified. Nevertheless, its organizational structure has been disrupted, its prestige badly tarnished, its authority virtually demolished, and its future therefore beclouded. The party elite at all levels from Peking to the counties had been drawn from the "old guard," or those two million members—10 percent of the membership—who had joined the party by 1948. This elite justified its status on the grounds of seniority, the sharing of pre-1949 hardships, and its unshakable loyalty to Mao and the party. But this elite has become disoriented and shaken to its roots, first, by Mao's denial of its worth and, second, by Mao's support of young revolutionaries who dispute the qualifications and relevance of the "old guard" for ruling China.

17. Top party leaders had been purged in 1966, but the full assault on the party came in early 1967 when the Red Guards were ordered to "seize power" and "to drag out the power-holders." As a result, in each organ and unit one or more of "old guard" officials were selected for severe criticism, pillory, and, in many cases, purging. This ritual symbolized the subordination of the party and the "old guard" to Mao and the revolutionaries, but it also paralyzed party operations. The party secretariat has ceased functioning; the party's six regional bureaus are being by-passed and presumably have been deactivated; provincial party committees are being replaced by the new revolutionary committees.

18. The attack on the party has demoralized and confused the cadre. Their ties with deposed party leaders, no matter how routine, have been grounds for suspicion and attack during the witch-hunts of the revolutionaries. Defensive actions on their part have been defined as opposition to Mao. Attempts to organize their own Red Guards have contributed significantly to the wide-

spread factional struggles. Longstanding working relationships between party workers and their counterparts in the local military establishments have occasionally led to mutual efforts at resisting Red Guard intrusions. Among the lower level cadres, dropouts have been common as the confused directives and contradictory policies have left them in exposed and dangerous positions.

19. *The Governmental Structure.* Many of the experienced bureaucrats have also been discredited and removed. The formerly efficient bureaucracy is showing clear signs of strain as it responds indecisively to what are, at best, confusing orders. At the provincial and local levels, governmental operations have been severely hampered by the administrative confusion. At the center, governmental ministries continue to function but Red Guard disruptions have clearly interfered with normal business. Governmental ministers have undergone criticism and many have been lost to the purges; even Chou En-lai has not been able to protect all of the key personnel in the government. As a result, administrative chaos has occurred, especially at the provincial level, which has required the intervention of the army.

20. *The Military.* Initially it seemed as if the PLA might be only lightly involved with the Cultural Revolution. The military leadership, however, has not escaped the purges, even though the full disruptive force of the Cultural Revolution has been generally kept out of the inner workings of the PLA. Most of the losses have been within the political commissar system, but commanders have been removed as well. As the authority of the party and the government declined, the PLA, as the only cohesive force with a nationwide system of command and control, was drawn in to maintain stability and order. It was assigned a wide variety of administrative and control functions throughout China.

21. Given this central role, the PLA has found itself heavily involved in local politics as well as in top level disputes. Its problems with these unfamiliar tasks have been severely complicated by vague and often contradictory directives from the center. In many instances, the PLA encouraged and supported "conservative" Red Guards. However, the most common reaction was to adopt a neutral role in the political disputes and to concentrate on restraining the violence. Even here, however, the PLA often was unable to remain neutral or to act as peacemaker between warring factions. As a result of these contrasting responses, there have been splits at various levels in the PLA at various times. Although usually extolled by the Peking leadership, the army's difficult role has brought it under attack on several occasions by the militants of the Cultural Revolution Group.

22. *The Revolutionaries.* The role of the Red Guards and more adult "revolutionary" groups, which were organized later, has fluctuated with the ebb and flow of the Cultural Revolution. As shock-troops in the initial assault on the party, the young revolutionaries were useful to Mao. The massive Red Guard rallies of 1966 had demonstrated the potency of Mao's unique ability to manipulate the "masses." The prompt and enthusiastic response to Mao's charisma was an effective warning to actual or potential opposition. More recently, ideological

fervor has declined among the revolutionaries as it has among the population at large. Evidence is accumulating that the continuing factional violence owes less to ideological motivation than to struggle between organizations representing the "haves" and "have-nots" for power, status, and material advantages.

23. As the top level control instrument of the Red Guards and other revolutionary organizations, the Cultural Revolution Group has also been unstable. The original 17 member group has been largely purged. However, the top leaders—Chen Po-ta, Kang Sheng, and Madame Mao—retain their prominent rank; with the possible exception of Kang, their rise and their survival is largely due to their close ties to Mao. Their vested interest in continuing "revolution" is no doubt reflected in their advice to Mao as well as their guidance of the Red Guard revolutionaries.

24. *The New Power Structure.* Peking has been trying since early 1967 to put together a new power apparatus incorporating the party cadres, the PLA, and the "revolutionary masses." The center has officially proclaimed that each province and city is to be governed by a revolutionary committee based on a "three-way alliance" of these elements. The first revolutionary committee was formed in Heilungkiang Province on 31 January 1967. Progress was slow and erratic last year, but the pace has quickened in recent months, and only a few major administrative areas have yet to set up the new committees.

25. The future role and powers of these revolutionary committees are quite uncertain, especially in light of a policy to rebuild the party. The committees have been described as only "provisional." Nothing has been said, however, of reestablishing the provincial governments. In any case, the regime has indicated it hopes to complete the reorganization process during 1968.

26. The process of forming a new administrative apparatus for the provinces has sharpened the very factionalism it was intended to halt. Rival Red Guard organizations have resisted mergers with old enemies, the relationship between former party cadres and the Red Guards is still greatly strained, and the PLA has been hard pressed to carry out its ambiguous orders. Even though violence has abated in the general sense, fierce political infighting and tensions continue. In effect, there will be a requirement for the PLA to remain in control until the new revolutionary committees develop unity and administrative effectiveness or until the party is itself sufficiently reconstructed to reassert authority.

D. Social Order

27. In addition to the violence directly related to the politics of the Cultural Revolution, there has been a general decline in social order and discipline in China. We cannot determine how pervasive the present lawlessness (black-marketing, bribery, profiteering, petty crime, and the violent settling of old scores) has become. But the regime's former effectiveness in suppressing such activity has clearly deteriorated. Moreover, the surplus urban population, which had been moved into the rural areas, has flowed back into the cities where it survives as best it can, often illegally. Similarly, the students have resisted

regime orders to return to their schools, and have done so in the name of Mao. For their part, the workers have taken advantage of the confusion to push for greater material benefits and better working conditions. Unless these tendencies toward unsanctioned individual and group action can soon be contained, they could have far-reaching implications for the future of the Communist system in China.

28. Psychological coercion through propaganda and the all-pervasive party are no longer effective controls, and the PLA lacks the numbers and the organization to control society as the party did. Until an equivalent of the party's control mechanism can be rebuilt, which may take years, the regime has little alternative to accepting a reduced presence in many areas. Revolutionary excesses have created unrest and the invitation to seize authority has encouraged forceful attempts at solving problems. Sporadic violence is therefore likely to continue in 1968. Even with clear and precise orders, the PLA will need time to control the situation, and will certainly be unable to remove the underlying tensions. Ultimately, Peking may have to choose between a heavier use of military power to maintain order and a more flexible approach to social controls, such as material incentives.

E. The Economy

29. Despite Mao's radical views on economic development, economic policy has not been subjected to the extremes of the Cultural Revolution. Even though many of the existing policies are being attributed to the disgraced Liu Shao-chi, we have seen no significant departures from the relatively permissive line on private plots and free markets in the rural areas or from relatively conservative policies in industry. Thus, despite the unceasing rhetoric endorsing Mao's views and refuting those attributed to Liu, the actual policies have been relatively unaffected. As regards planning, the Third Five-Year Plan (1966-1970) is no longer referred to and is almost certainly a dead issue.

30. The disorder and turmoil had an adverse effect on the economy in 1967. Production losses in industry have been reflected in reduced construction, in declining inventories, and in depressed foreign trade. Disruptions in transport and coal shortages in particular affected the entire economy. Agriculture, on the other hand, was a bright spot due to unusually favorable weather, and this has sustained consumption, thus precluding severe personal hardship.

31. In the urban labor force, with industrial production down and the population of working age expanding, the number of unemployed and underemployed has jumped in the last 18 months. At the same time, the regime has been preaching frugality and has been attempting to cut wages and fringe benefits. These developments, coupled with the general turmoil and factionalism of the Cultural Revolution, have led to serious clashes between groups of workers and widespread discontent with living standards and employment opportunities. The regime has promised to reexamine the whole wage question at a later stage

in the Cultural Revolution. In the short term, however, no relief can be expected and popular discontent probably will mount.

32. In the longer run, the economy's need for highly trained specialists has been seriously compromised by the nearly two-year closure of the universities. The very virulence of the attack on intellectuals will make a resumption of effective higher education difficult. Indeed, if the curricula are changed in the proposed direction of eliminating foreign influences in favor of Maoist dogma, then the quality of education could suffer a further serious decline. The closure of lower and middle schools is less serious in terms of vocational skills because those schools had already graduated more students than could be absorbed by the modern economy.

F. Military Capabilities

33. The heavy commitment of troops to Cultural Revolution activities has almost certainly disrupted the training mission of the PLA; that it may also be disturbing the morale and effectiveness of the troops is more difficult to prove, but nevertheless likely. The scope of the rebuilding effort—political, economic, and social—that now faces the regime seems likely to require the heavy support of the PLA for some time to come. As a result it is unlikely that the military can recoup its losses in combat readiness. The sheer weight of the political and administrative tasks will inevitably affect the performance of its military duties. In the event of a military threat to China, however, the PLA probably could give a good account of itself.[2]

34. Construction, missile firings, and nuclear testing have continued in the modern weapons field throughout the Cultural Revolution. But there is good evidence that political turmoil has spread to organizations directing and implementing the advanced weapons program. In a speech of January 1968, Chou En-lai deplored the damage that factional strife had caused in the military industries. He referred to prolonged political struggles and damage to equipment in the ministry responsible for missiles. We have no solid information on how serious these disruptions might have been. But it seems likely that resource allocation and policy guidance must have suffered during the excesses of the Cultural Revolution.

III. PROSPECTS

A. Internal Policy

35. There are of course a number of major uncertainties affecting any estimate of China's future course. There will be unforeseen events, such as the kidnapping at Wuhan last year, or the death of some key figure such as Mao, Lin, or Chou. Personal animosities and tension among competing interest groups have intensified, they may increase to the point where they will prevent orderly resolution of major issues. Conflict will almost certainly continue over the

[2] A more detailed discussion of military readiness will be taken up in the forthcoming NIE 13-3-68, "Communist China's General Purpose and Air Defense Forces."

process of reconstructing the party and there will be tension over the relative influence of military and civilian leadership. Outside events, such as the war in Vietnam, could alter Peking's attitude. Popular disillusionment as well as economic disruption may preclude any early restoration of social stability, particularly if there is a sharp decline in farm output in 1968, further discrediting the present leadership.

36. It is unlikely that Mao will ever be satisfied with a general stabilization of political life at the cost of his revolutionary programs. He will probably try to keep on initiating such programs to achieve further changes in Chinese society and politics, though with some appreciation of the dangers of anarchy and economic chaos. He is likely to be suspicious of retreats and to favor periodic upsurges in revolutionary efforts. If he sees the responses as incorrect or inadequate, he may attempt further purges. This basic attitude of Mao has been and will continue to be responsible, to a large extent, for the continuing turmoil. As long as there is room for doubt over Mao's attitude toward how to continue the "struggle," there will be elements in the leadership and especially among young revolutionaries who will be encouraged to persist in their disruptive actions in the name of Mao. They will do so partly in the belief that this is actually what is wanted, regardless of official edicts to the contrary, and partly to protect or enhance their power positions.

37. Thus, the outlook for China is at best uncertain. On the basis of the record it would be prudent to allow for some sharp turns and surprises. But the trend appears to be running against the extremes of Maoism. Even though China has demonstrated remarkable tolerance for prolonged chaos, there appears to be growing recognition in Peking that it is time to cut the losses of the Cultural Revolution and to consolidate the limited gains.

38. On balance, we believe that the trend will be toward regaining stability. This is partly because the resistance to the revolution reached dangerous proportions last summer and threatened a confrontation between the army and the revolutionaries. It also reflects increased political influence of the more moderate elements in Peking. Finally, Mao himself probably concurred in the move toward moderation, since he himself hopes to reconstruct a new order out of the disruption of the old party apparatus.

39. The Cultural Revolution as such will not be repudiated, just as the Great Leap Forward was never formally discredited, but under the guise of victory statements, the more radical and destructive features will probably be set aside. This does not mean the situation will promptly return to normal. There is likely to be considerable disarray and confusion for some time. Fighting will probably break out from time to time and become severe in some areas. Political maneuvering in Peking will continue.

40. We believe that a new organizational framework will gradually evolve. Its ultimate composition and correlation of forces is uncertain. Mao at least intends that it should reflect the influence of the new revolutionary generation; the Cultural Revolution Group will seek to establish revolutionary influence over

the process of party building and within the revolutionary committees. The record thus far, however, suggests that the PLA and the party cadres will probably be the predominant elements. Thus, the reconstruction of the party and the evolution of the powers of the revolutionary committees will probably be the sources of continuing struggle, though perhaps not in as violent a form as in the past two years.

41. The military will remain Peking's most reliable instrument of control over at least the coming year. The PLA will have the main responsibility for carrying out the political reorganizations. Military dominance in political life may become institutionalized, particularly if political reconstruction bogs down in violence and disarray or if economic and social problems require the repressive force of the PLA.

42. Beset by many problems, China can at best hope only to restore stability and balance to the economy in 1968, foregoing any prospect of expansion. Even this hope rests on the dubious assumption that China can restore effective economic priorities and discipline at a time of continued political conflict. For example, Peking would have to reimpose effective controls over the distribution of food, wages, and movements of the population. In view of the limited progress towards economic stability so far this year, economic performance for the whole of 1968 probably will show a continued decline.

43. In any case, a decline in agricultural production is likely compared with last year's very good harvests. Weather conditions are unlikely to be as favorable as in 1967, the supply of chemical fertilizer will be reduced, and the effects of poor management in the irrigation system will be felt. The lack of firm administrative control may lead to serious problems in procurement and distribution of food. Thus, there is a possibility that severe food shortages will develop by 1969, with major political consequences. At a minimum, farm output in 1968 will probably be reduced enough to inhibit economic growth in 1969.

44. There are various indications that Mao considers the economic policies followed since the collapse of the Great Leap Forward to be revisionist; they relied too much on material incentives and discipline and too little on the inspirational, creative force of Maoist doctrine. Mao believes that only by unleashing the latent energies of the Chinese masses can China's economic problems be overcome. It may be that the Cultural Revolution was intended, in part, as a preparing of the ground for some drastic stroke by Mao in the field of economic policy.

45. If so, the situation hardly seems ripe for any such move. To attempt another Leap Forward type of experiment in the midst of the current turmoil and without an effective management and control apparatus, would invite an economic and social crisis. Peking will have its hands full in restoring order and balance to the economy and it lacks the investment resources to launch a significant long-term expansion program. We therefore conclude that major initiatives in economic policy are unlikely this year.

B. External Policy

46. "Red Guard diplomacy" cost Peking heavily in 1967. Chinese diplomats arrogantly propagandized Mao's revolutionary dogma abroad while xenophobia was encouraged at home. This truculent approach created serious problems in neutral Asian countries such as Burma, Cambodia, Nepal, and Ceylon where China had earlier built up reasonably good relations. Diplomatic representatives in Peking were exposed to the fanaticism of the mob. British, French, Czechs, Russians, Mongolians, Japanese, Indians, and Indonesians suffered physical abuse in Peking; diplomatic premises were invaded and in some cases sacked. For at least four days in August, Foreign Minister Chen Yi was displaced by one of the ultraleftists thrown up by the Cultural Revolution.

47. The violent phase was relatively short-lived, and a more balanced approach has prevailed since the excesses of August. But the verbal assault on Burma, Thailand, Malaya, the Philippines, India, and Indonesia has continued. This harsher revolutionary policy in support of insurgency, even in countries with which Peking has diplomatic relations, will probably continue at least so long as Mao and his general line dominate in China. Although domestic preoccupations will make 1968 an unlikely time for Peking to mount any major subversive effort beyond its borders, we expect Peking to continue its low-level assistance to the Thai, Burmese, and Indian insurgents. Such assistance would be consistent with Peking's past actions in those areas where the danger of confrontation with the US is slight.

48. Vietnam remains Peking's most immediate concern. Even at the height of the Cultural Revolution, China maintained its military and economic support of Hanoi, tolerated almost open political differences, and sought to portray Vietnamese developments as successes for Mao's strategy. But in Vietnam as elsewhere in the Far East, Peking has been cautious about risking military confrontation with the US.

49. In the near future, Peking's aim will be to keep Hanoi moving toward what Peking hopes will be a major foreign policy success, the defeat or withdrawal of the US from Vietnam. To this end Peking will continue to urge Hanoi to perservere in a protracted war without overt Chinese participation.

50. Peking strongly opposes the idea of serious negotiations over Vietnam at this stage in the war. It will probably press Hanoi to be as stiff and uncompromising as possible in the discussions with the US. Even so, it will probably not take coercive measures such as cutting off aid to Hanoi. Peking lacks sufficient influence in Hanoi to block full-fledged negotiation on a settlement. Should Hanoi accept a cease-fire, Peking would disapprove but would have to accept Hanoi's decision.

51. At the other focal point of China's foreign policy, relations with the Soviet Union remain frozen in bitterness. Peking's obsessive anti-Soviet line has ruled out "united action" by the Communist nations on behalf of Vietnam, and has cost China the support of formerly friendly Communist parties. The result

has been to heighten China's isolation, and together with the radical innovations of the Cultural Revolution, has damaged Peking's prestige on almost all fronts.

52. We see no basis for compromise in Sino-Soviet relations so long as Mao is alive. The Soviet build-up of military forces along China's northern border points up how far the conflict has progressed since 1960. China must be sensitive to this show of force, as well as the Soviet potential for subversion among the minority populations along the border. But we believe Peking will remain cautious about raising military tensions in border areas and will probably not undertake a comparable build-up on the Chinese side.

IV. AFTER MAO

53. If Mao dies in the next year or so, the succession will probably be disorderly and contentious. Lin Piao has received a clear mandate as successor but we believe his prospects of consolidating his position are quite uncertain. Initially Lin might take over as Chairman of the Board, with Chou En-lai as the Chief Executive. Chou's unique abilities might hold things together temporarily in a transition period. But varying attitudes and approaches of the leadership—only partially repressed by Mao's dogmatic rule—would soon erupt. We foresee a stormy and possibly protracted period in which basic pol[illegible] issues will fuel a fierce leadership struggle. Personalities will rise and fall as the leaders contest for positions in the new power structure. At this stage we are unable to say how the leadership might sort itself out. Much will depend on the balance of power which develops in the process of reconstructing a political order. Present trends suggest the military might play the central role in post-Mao China.

54. The judgment on Maoism is already coming in, and it will heavily influence the direction of future Chinese policy after Mao. Mao's legacy is likely to be an enfeebled party, a confused bureaucracy, and a divided and harried leadership. Factionalism and strife have replaced the discipline and unity that formerly characterized the regime. Mao's drive to revive revolutionary enthusiasm has had the opposite effect. It is possible that Mao may institute changes that restore some of Chinese communism's old forward momentum, but we doubt that his specific programs would long survive him. His campaign to break the hold of the past will probably have some limited success. But China's culture and traditions are already modifying Mao's communism even as Mao attempts to reshape old habits and customs. Most importantly, much of Mao's revolutionary dogma is proving irrelevant to China's problems in the modern world. It is likely that the rejection of his doctrines, though not necessarily of communism in the broadest sense, will accelerate at his passing.

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